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Issue: 08-10

March 7, 2008

- Unemployment rate unchanged at 4.1% in February
- Residential construction investment up 9.7% in 2007
- Room revenues advanced 0.3% in November

Labour Force

- **British Columbia's jobless rate remained unchanged at 4.1% in February.** The lack of change in the unemployment rate was due to a marginal shrinking in the labour force offsetting a similarly small increase in employment. While there were slight gains in employment, there were significant job losses (-2.1%) among the self-employed. This was the third consecutive month where the number of self-employed workers fell.

British Columbia and Saskatchewan had the second lowest unemployment in Canada at 4.1%. Only Alberta had a lower unemployment rate at 3.5% (+0.3 percentage points).

Data Source: Statistics Canada

- **Employment in BC's goods sector dropped 2.0% in February as manufacturing once more shed jobs from its workforce (-4.5%).** Other goods industries such as agriculture (-11.1%), forestry, fishing & mining (-2.4%) and utilities (-1.4%) also employed fewer workers. However, construction, the goods sector's largest employer, expanded its workforce in February, adding 2.2% more jobs.

The province's service sector recorded a second straight month of solid growth (+0.5%) despite the fact that nearly half of the industries in the sector reduced the size of their workforces. Employment in retail & wholesale trade, the sector's largest employer, increased 1.1%. Gains were also made in the public administration (+7.0%), accommodation & food services (+5.2%) and finance, insurance & real estate (+1.9%) industries. The educational services (-6.0%) and health care & social assistance (-2.2%) industries, on the other hand, em-

ployed fewer workers in February.

Data Source: Statistics Canada

- **The jobless rate rose 0.8 percentage points in Northeast to 3.2% (3-month moving-average) as most regions recorded higher rates of unemployment in February.** The highest jobless rate was in North Coast/Nechako (7.3%). However this was down 0.9 percentage points from the previous month. Despite the fact that employment in the Cariboo jumped 5.7% in February, the number of people either working or looking for work increased 6.3%, resulting in an increase in the unemployment rate in Cariboo to 5.8%.

Rising jobless rates in both Nanaimo (7.5%) and Victoria (3.3%) were the main contributors to an increase in the overall jobless rate for Vancouver Island/Coast to 5.3%. However, even though unemployment remained virtually unchanged in Vancouver (3.7%), the jobless rate in Mainland/Southwest inched higher to 3.7%.

In Kootenay, the unemployment rate fell to 4.4% as a result of a shrinking labour force (-5.5%), while in Thompson/Okanagan the labour force expanded (+1.1%) more than the number of jobs (+0.8%) leaving the region with a slightly higher unemployment rate of 5.3%.

Data Source: BC Stats & Statistics Canada

Rates for Northeast, as well as some cities, are BC Stats estimates, calculated using data supplied by Statistic Canada

Census 2006

- **Roughly 4.9% of British Columbia's labour force in 2006 lived in a different part of the country between 2001 and 2006.** Nationally, 3.4% of total labour force moved between provinces with the highest rate of mobility observed in Alberta where 8.6% of the total labour force

Did you know...

Sixty-two percent of adults in BC are post-secondary graduates

Data Source: 2006 Census of Canada

had moved to the province from other parts of the country.

Data Source: Statistics Canada

- In 2006, workers aged 55 and older accounted for 15.3% of the total labour force, up from 11.7% in 2001 as Canada's 'baby boomers' quickly approach retirement age. Due to the recent trend of older workers remaining in the labour force, the median age rose from 39.5 years in 2001 to 41.2 years in 2006. Farmers had the oldest work force at a median of 51.9 years.

Data Source: Statistics Canada

Economy

- Wages, salaries and benefits earned by workers in British Columbia rose 2.3% (*seasonally adjusted*) in the fourth quarter of 2007. Nationally, labour income advanced 1.8%, with only BC and Alberta (+2.4%) showing increases above the national average.

Data Source: Statistics Canada

- Investment in residential construction in BC advanced 5.6% (*seasonally adjusted*) in the fourth quarter of 2007. Spending on apartments (+11.2%) and single-family dwellings (+4.2%) was up, while investment on double-family housing (-11.3%) dropped sharply when compared to the previous quarter. Improvements to existing homes increased 6.6% and acquisition costs were slightly off (-2.2%).

Data Source: Statistics Canada & BC Stats

2007 in Review

- Wages, salaries and benefits earned by the province's workers increased 6.3% in 2007, as BC along with the remaining western provinces of Alberta (+11.3%), Saskatchewan (+7.7%) and Manitoba (+6.9%) all posted gains in labour income above the national average (+6.1%). The increase in Alberta was the third consecutive year of double digit growth in labour income. Only in Newfoundland did labour income fall (-4.8%). However this was almost entirely due to lump-sum increases in benefits in the previous year. Excluding this effect, wages in Newfoundland would actually have risen, though less than the national average.

Data Source: Statistics Canada

- Residential construction investment in BC was 9.7% higher in 2007, well above the na-

tional average of 8.5%. In percentage terms, BC ranked fifth in the country in residential investment behind Saskatchewan (+37.4%), Alberta (+18.9%), Manitoba (+12.4%) and Newfoundland (+9.6%).

Data Source: Statistics Canada

Room Revenues

- Room revenues advanced 0.3% in November, maintaining the upward trend that began in August. The Interior, including Kootenay (+5.4%), Thompson/Okanagan (+4.0%) and Cariboo (+3.2%), outperformed the rest of BC. Nechako (+1.1%) recorded gains for the fifth consecutive month, surpassing growth in neighbouring Northeast (+0.2%). Accommodations in Vancouver Island/Coast (+0.3%) had a more lucrative month, while North Coast (-1.9%) and Mainland/Southwest (-1.3%) saw revenues slip following increases in October.

Data Source: BC Stats

The Nation

- Canada's real gross domestic product (GDP) expanded 2.7% in 2007, down only slightly from the 2.8% increase seen in 2006. Starting quite strongly with the first quarter (+1.0%), growth in the economy slowed throughout the remainder of the year with the lowest increase recorded in the fourth quarter (+0.2%). Due to further appreciation of the Canadian loonie against the US greenback, imports surged ahead 5.7%. Conversely, exports inched higher only 0.9%, worsening the nation's trade deficit. Personal expenditures (+4.7%) rose sharply along with disposable income, yielding a strong 4.3% increase in final domestic demand.

Corporate profits picked up steam compared to the previous year, rising 5.8% in 2007.

The retail trade (+5.6%), finance & insurance (+5.4%), wholesale trade (+4.3%) and construction (+4.2) industries all contributed greatly to the overall increase in GDP in 2007. While growth was strong in manufacturing through the first half of the year, overall the sector suffered its deepest decline since 2001, finishing down 1.1% and extending a downturn into a second straight year.

Data Source: Statistics Canada

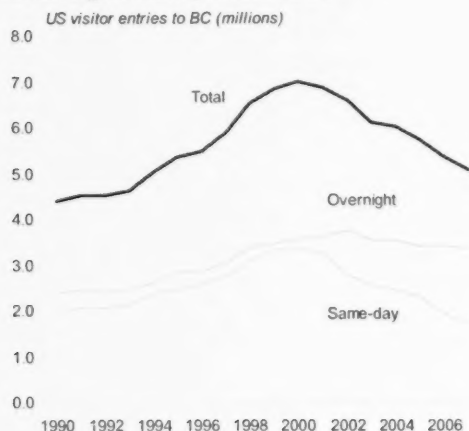
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Why Have US Entries to the North Gone South?

The number of Americans entering BC has been steadily declining since the turn of the century. In 2006, approximately 5.4 million US entries were recorded, a 23.2% decline relative to 2000 levels (7.0 million). Over this period, the number of US visitors on same-day trips to BC was nearly halved, dropping from 3.4 million to 1.9 million (-42.9%). Overnight entries also fell (-4.5%) from 2000 to 2006.

Total and same-day visits from the US have fallen significantly since 2000



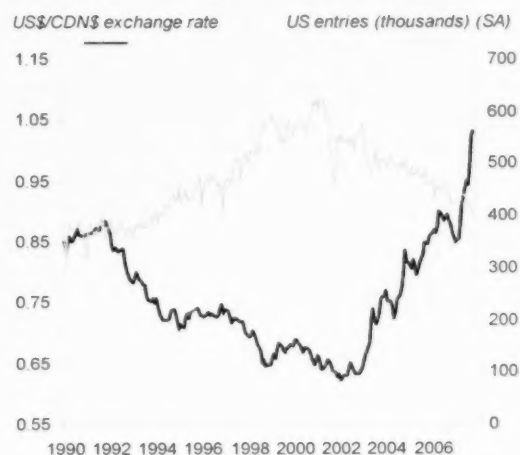
Data Source: Statistics Canada

What factors have contributed to the recent downward trend in US entries? The exchange rate is arguably one of the most important factors. Recently, the Canadian dollar appreciated to record-high levels, and reached parity with the US dollar in October 2007 for the first time in more than three decades.

There is some evidence to suggest that US entries to BC and the exchange rate are negatively correlated. From January 2002 to November 2007, the value of the Canadian dollar (US\$/CDN\$) increased from 0.625 to

1.034 (+65.5%). During the same period, the number of same-day visits by Americans slumped 41.6% and overnight entries declined 15.2%. Overall, total US entries fell 27.0%.

US\$/CDN\$ exchange rate vs. US entries



Data Source: Statistics Canada & BC Stats

There are other economic factors that could also explain the decline in US entries. For example, fuel, air travel and accommodation are significant components of travel costs. The appreciation of the Canadian dollar, together with the rising cost of gasoline, increasing airfares and higher room rates may be working together to reduce American entries. The extent to which travel from the US has been affected by these developments can be assessed using regression analysis to determine the statistical relationship between US entries and a number of possible explanatory variables.

Regression Analysis

Linear regression models were used to estimate the relationship between the number of US entries to BC (same-day and overnight modelled separately) and the following explanatory variables:

- US\$/CDN\$ exchange rate;
- US per capita disposable personal income;
- the airline fare component of the US Consumer Price Index (CPI);
- US gas prices;
- the BC average hotel room rate;
- 9/11; and
- SARS.

The variables were based on monthly time-series data covering the January 1990 to November 2007 period. Dummy variables were included in the models to account for the decline in entries observed after the September 11th terrorist attacks and the SARS outbreak.

Although increased wait times at the border and changes to passport requirements are also potential barriers to travel between Canada and the US, these are difficult to assess given the lack of quantitative data available. Therefore, the variables were restricted to those that could be defined using existing data sets and considered the most significant determinants of US entries based on previous research completed by BC Stats¹.

The results indicate that the variables included in the analysis explain 88% of the variation in the number of US same-day en-

tries, and 92% of the variation in the number of overnight trips. In other words, the reduction in the number of US entries to BC can be mostly attributed to these factors.

Exchange Rate

Since reaching an all-time low of US\$0.625 in January 2002, the Canadian dollar has continued to appreciate, reaching its highest level in more than 33 years in November 2007 (US\$1.034). With an appreciating Canadian dollar, travel to and within BC becomes relatively more expensive for US visitors.

After controlling for the other explanatory variables, the regression results indicate that if the Canadian dollar appreciates by one cent relative to the US greenback, the number of same-day and overnight visitors would fall by 3,198 and 1,789 every month, respectively.

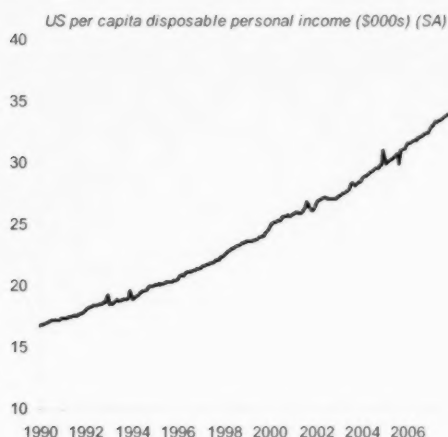
Disposable Income

To determine if income has an effect on the number of American entries, US per capita disposable personal income was included in each model. It is expected that the higher an individual's disposable income, the more likely he/she will spend a portion of this on discretionary expenditures such as travel. Therefore, an increase in personal disposable income should encourage more Americans to travel to BC.

The results confirm the expectation that disposable income is positively related to the number of US entries. Specifically, if average US per capita disposable income increases by \$100, an additional 803 same-day and 876 overnight US entries to BC would be recorded every month.

¹ For example, see What Drives US Visitors Away? in Tourism Sector Monitor Issue 05-07.

A rising disposable income encourages more Americans to travel to BC



Data Source: Bureau of Economic Analysis, US Department of Commerce

Airfare

Another significant component of total travel costs is airfare, which was measured using the airline fare component of the US CPI. After falling from 2001 to 2004 (-5.1%), airfares in the US rebounded in 2005 (+4.1%) and 2006 (+4.5%). Economic theory suggests that an increase in the price of airline tickets will lead to a decrease in the number of Canadian trips demanded by US travellers (a negative relationship). On the other hand, US travellers may substitute an overseas trip with a visit to their northern neighbour if the price of travel to Canada is relatively less expensive (a positive relationship).

With the exception of the 2001-2004 period, US airfares have trended up since 1990



Data Source: Bureau of Labor Statistics, US Depart. of Labor

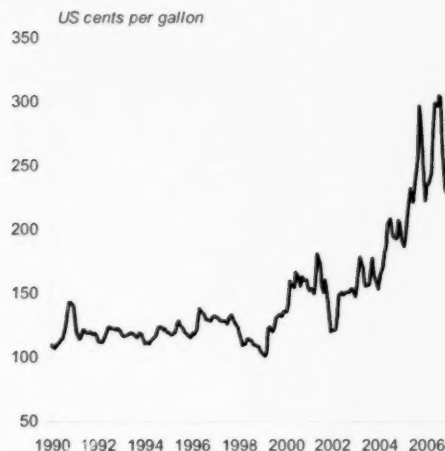
For the overnight regression model, the airfare variable was negative and statistically significant. All else being equal, a one point increase in the airline fare component of the US CPI would prevent 173 overnight visitors from flying to BC every month. The fact that airline fare does not have a statistically significant impact on the number of US same-day entries is not a surprising result, since most enter the province by vehicle (83% on average during 1990 to 2006) and are therefore not affected by changes in airfare.

US Gasoline Prices

Another component of travel costs for US travellers is gasoline prices. Given the proximity of Canada to the US, a significant proportion of both same-day and overnight US visitors travel to BC by car. In 2006, approximately 80% of same-day and more than one-half (52%) of overnight visitors drove their vehicle into the province.

The price of gasoline in the US has been increasing rapidly since 2002 and reached record-high levels in May 2007 at US\$3.18 per gallon. This was almost three times higher than average gas prices recorded in January 2002 (US\$1.21).

Average US gas prices have skyrocketed since 2002



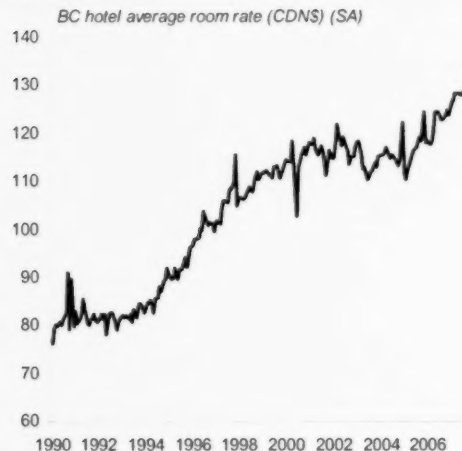
Data Source: Energy Information Administration, US Department of Energy

Consistent with expectations, the regression results indicate that gas prices have a significant negative impact on the number of same-day and overnight entries from the US. Specifically, a one US cent increase in average gas prices would prevent 196 same-day and 124 overnight travellers from driving to BC every month.

Accommodation Costs

To measure the extent to which the cost of accommodation has an effect on the number of US entries to BC, the average room rate for BC hotels was included in the overnight regression model. If room rates are an important factor in determining whether US visitors will travel to BC, the sign on this variable should be negative. In other words, an increase in room rates would result in a reduction in the number of US visitors staying at the province's hotels.

BC's hotel room rate increased 50% from 1990 to 2006



Data Source: Pannell Kerr Forster & BC Stats

However, the results indicate that there is a statistically significant positive relationship between the average hotel room rate and the number of overnight entries. This result may seem counterintuitive, as this suggests that higher accommodation costs encourages more Americans to travel to BC. However, the relationship may not be causal, as a rise in entries from the US may drive accommodation prices up.

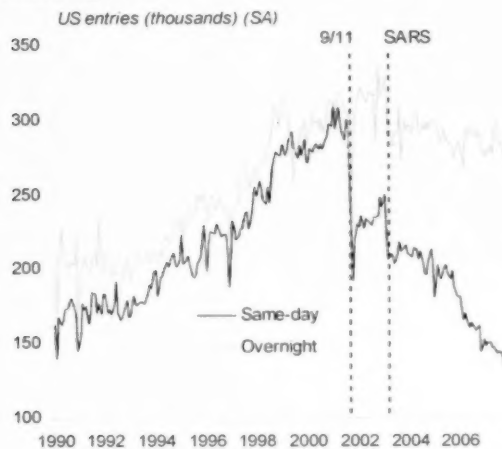
9/11 and SARS

Finally, dummy variables were included in each model to determine the effect of the September 11th terrorist attacks and the SARS outbreak that occurred in March 2003.

According to the regression results, 9/11 had a statistically significant negative impact on the number of US same-day entries to BC. In the absence of the terrorist attacks, there would have been 70,270 more US same-day visitors to the province each month since September 2001. However, the 9/11 variable did not have a statistically significant effect on the number of overnight visitors.

With respect to SARS, the coefficient on this variable was negative for both the same-day and overnight regression models. However, the strength of this relationship was not statistically significant in either case, as US visitation recovered fairly quickly following the outbreak.

A drop in US entries to BC was recorded following 9/11 and SARS



Data Source: Statistics Canada & BC Stats

Conclusion

Our research indicates that an appreciating Canadian dollar, rising fuel costs, higher airfares and 9/11 have contributed to a decline in US entries. How will these factors continue to affect the number of Americans travelling to BC?

Based on the findings of the regression analysis, the US\$/CDN\$ exchange rate has the most significant impact on US entries to BC. Given that the Canadian dollar is expected to remain just under the US\$1.00 mark over the short term, travel to BC will remain less of a bargain for US travellers.

With respect to the cost of air travel, Delta Air Lines is considering a takeover of either Northwest Airlines or United Airlines, and Continental Airlines is also seeking a merger partner. Reduced competition in the airline industry, coupled with rising fuel costs, will put upward pressure on airfares in the US.

According to the US Department of Energy, motor gasoline prices are expected to reach record-high levels in 2008, which will likely discourage same-day travellers from driving their vehicles into BC.

Although it has been more than six years since the September 11th terrorist attacks, these events had a permanent impact on border security between Canada and the US. The extent to which more stringent security regulations, changes to passport requirements, and increased wait times at the border have affected the number of US entries to BC was not considered in this analysis. However, it is reasonable to assume that these developments will discourage Americans from travelling to the north.

Appendix: Regression Results

Dependent Variable: Same-day US Entries

<i>Regression Statistics</i>	
Multiple R	0.938
R Square	0.881
Adjusted R Square	0.878
Standard Error	15020.040
Observations	215

<i>Variable</i>	<i>Coefficient</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	315606.68	22779.73	13.85	0.00
Exchange Rate	-319849.06	21571.46	-14.83	0.00
Disposable Income	8.03	0.76	10.62	0.00
Gas Prices	-196.33	66.36	-2.96	0.00
9/11	-70270.46	4276.92	-16.43	0.00

Dependent Variable: Overnight US Entries

<i>Regression Statistics</i>	
Multiple R	0.957
R Square	0.917
Adjusted R Square	0.914
Standard Error	11939.448
Observations	215

<i>Variable</i>	<i>Coefficient</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	110007.15	37768.93	2.91	0.00
Exchange Rate	-178862.26	25996.55	-6.88	0.00
Disposable Income	8.76	2.38	3.68	0.00
Airfare	-172.55	101.46	-1.70	0.09
Gas Prices	-123.95	54.91	-2.26	0.03
Hotel Room Rate	1658.28	188.95	8.78	0.00
Trend	-381.92	188.34	-2.03	0.04



Email transmission information service from BC Stats



also on the Internet at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)		% change on one year ago
	Oct 1/07	
BC	4,402.9	1.5
Canada	33,091.2	1.0
GDP and INCOME (Revised Nov 8)		% change on one year ago
(BC - at market prices)	2006	
Gross Domestic Product (GDP) (\$ millions)	180,328	6.4
GDP (\$ 2002 millions)	158,335	3.3
GDP (\$ 2002 per Capita)	36,649	1.9
Personal Disposable Income (\$ 1997 per Capita)	23,996	5.0
TRADE (\$ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Dec	3,395	-0.9
Merchandise Exports - Dec	2,238	-8.8
Retail Sales - Dec	4,818	1.1
CONSUMER PRICE INDEX		% change on one year ago
(all items - Jan 2008)		12-month avg % change
BC	0.8	1.6
Vancouver	1.1	1.9
Victoria	0.3	1.0
Canada	2.2	2.2
LABOUR FORCE (thousands)		% change on prev. month
(seasonally adjusted)	Feb '08	
Labour Force - BC	2,403	0.0
Employed - BC	2,303	-0.1
Unemployed - BC	99	1.6
	Jan '08	
Unemployment Rate - BC (percent)	4.1	4.1
Unemployment Rate - Canada (percent)	5.8	5.8
INTEREST RATES (percent)		
	Mar 5/08	Mar 7/07
Prime Business Rate	5.25	6.00
Conventional Mortgages - 1 year	7.25	6.40
- 5 year	7.29	6.49
US-CANADA EXCHANGE RATE		
	Mar 5/08	Mar 7/07
(avg. noon spot rate) Cdn \$ per US \$	0.9898	1.1786
(closing rate) US \$ per Cdn \$	1.0143	0.8485
AVERAGE WEEKLY WAGE RATE		% change on one year ago
(industrial aggregate - dollars)	Feb '08	
BC	766.55	3.1
Canada	770.29	5.0

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics
 For latest Weekly Financial Statistics see www.bankofcanada.ca

High Technology - 2007

Input Indicators of the British Columbia High Technology Sector - 2007 Edition

This publication highlights conditions affecting the province's high technology sector from a supply-side perspective by tracking 37 business and economic climate indicators for BC, with comparisons to other provinces.

www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp#HTpubs

Topic Tables - 2006 Census

What are the top languages spoken at home in your community? Where were a community's immigrants born? A different approach.

www.bcstats.gov.bc.ca/data/cen06/topics/topics.asp

2007 Municipal Populations

Total population for municipalities and Regional Districts for July 1, 2007, as well as revised figures for 2002 to 2006, are now online.

www.bcstats.gov.bc.ca/data/pop/pop/estpop.asp

Area Profiles

There is a new link in the **RESOURCES** tab found at the bottom of our left sidebar. This page acts as a gateway to all our area profile products. Each profile paints a statistical picture of an area using maps, charts, tables, rankings, comparisons, and more. Eight thousand individual files are available now.

www.bcstats.gov.bc.ca/data/dd/profiles.asp

Released this week by BC Stats

- 2006 Census: Labour market activity; Industry; Occupation; Education; Language of work; Place of work; Mode of transportation, March 4
- Tourism Sector Monitor, February 2008
- Labour Force Statistics, February 2008
- Earnings & Employment Trends, February 2008

Next week

- Exports, January 2008

